

SIERRA CLUB OF CANADA FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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PARKER PRINS LEBANO
Chartered Accountants
Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Members of:
SIERRA CLUB OF CANADA FOUNDATION

Report on the Financial Statements

We have audited the accompanying financial statements of SIERRA CLUB OF CANADA FOUNDATION, which comprise the Statement of Financial Position as at December 31, 2012, and the Statements Of Operations And Net Assets, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SIERRA CLUB OF CANADA FOUNDATION as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink, appearing to read 'Parker Prins Lebano'.

Parker Prins Lebano Chartered Accountants Professional Corporation
Authorized to practice public accounting by The Institute of Chartered Accountants of Ontario

Ottawa, Ontario
March 14, 2013

SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 263,947	\$ 268,182
Accounts receivable	7,448	27,356
Prepaid expenses	1,438	1,092
Current portion loan receivable - related party (notes 5 and 6)	5,075	6,000
Due from related party (note 6)	<u>13,350</u>	<u>-</u>
	291,258	302,630
 LOAN RECEIVABLE - RELATED PARTY (note 5)	 <u>-</u>	 <u>7,434</u>
	 <u>\$ 291,258</u>	 <u>\$ 310,064</u>
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,280	\$ 29,302
Deferred revenue	79,329	62,399
Owing to Chapters (note 6)	<u>1,126</u>	<u>-</u>
	95,735	91,701
 NET ASSETS	 <u>195,523</u>	 <u>218,363</u>
	 <u>\$ 291,258</u>	 <u>\$ 310,064</u>

Approved by the Board:

_____ Director _____ Director

**SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF CHANGES NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
NET ASSETS		
BALANCE, BEGINNING OF YEAR	\$ 218,363	\$ 261,510
DEFICIENCY OF REVENUE OVER EXPENDITURE	<u>(22,840)</u>	<u>(43,147)</u>
BALANCE, END OF YEAR	<u>\$ 195,523</u>	<u>\$ 218,363</u>

**SIERRA CLUB OF CANADA FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
REVENUE		
Donations - other charitable organizations	\$ 301,805	\$ 517,187
Donations - individual and corporate	222,598	334,645
Administration fees	14,510	50,022
Investment and other	<u>2,877</u>	<u>15,336</u>
	<u>541,790</u>	<u>917,190</u>
 EXPENSES		
Program	285,671	732,998
Administrative	248,225	125,647
Fundraising	<u>30,734</u>	<u>101,692</u>
	<u>564,630</u>	<u>960,337</u>
 DEFICIENCY OF REVENUE OVER EXPENDITURE FOR THE YEAR	 <u>\$ (22,840)</u>	 <u>\$ (43,147)</u>

**SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Deficiency of revenue over expenditure for the year	\$ (22,840)	\$ (43,147)
Net changes in non-cash items related to operations:		
Accounts receivable	19,908	2,336
Prepaid expenses	(346)	2,116
Deferred revenue	16,930	(205,019)
Accounts payable and accrued liabilities	(14,022)	15,944
Owing to Chapters	<u>1,126</u>	<u>(89,747)</u>
Cash provided by (used for) operations	<u>756</u>	<u>(317,517)</u>
CASH FLOWS (USED FOR) FROM FINANCING ACTIVITIES		
Advances from related party	<u>(4,991)</u>	<u>18,808</u>
DECREASE IN CASH	(4,235)	(298,709)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>268,182</u>	<u>566,891</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 263,947</u></u>	<u><u>\$ 268,182</u></u>
Cash and cash equivalents consist of:		
Cash	\$ 109,397	\$ 21,488
Money market fund	<u>154,550</u>	<u>246,694</u>
	<u><u>\$ 263,947</u></u>	<u><u>\$ 268,182</u></u>

**SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Foundation adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting Part III, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (NFPO's). NFPO's that adopt Part III of the Handbook also adopt the accounting standards for private enterprises (ASPE; Part II of the CICA Handbook) to the extent accounting standards are not specifically addressed in Part III. These are the Foundation's first financial statements prepared in accordance with Canadian accounting standards for NFPO's - Part III which has been applied retrospectively. The accounting policies set out in the significant accounting policy note below have been applied in preparing these financial statements for the year ended December 31, 2012, and the comparative information presented in these financial statements for the year ended December 31, 2011. Management has determined the changes to the financial statements resulting from the adoption of Canadian accounting standards for NFPOs - Part III are not material and thus have not presented an opening Canadian accounting standards for NFPOs - Part III statement of financial position as at January 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by CICA Handbook - Accounting Part V. The adoption of Canadian accounting standards for NFPO's - Part III had no impact on the previously reported assets, liabilities, or equity of the Foundation, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of changes in net assets, statement of operations, and cash flow statement. Certain of the Foundation's disclosures included in these financial statements reflect the new disclosure requirements of Canadian accounting standards for NFPO's.

2. PURPOSE OF THE FOUNDATION

Sierra Club Canada Foundation was incorporated without share capital under the Corporations Act (Ontario) and is a registered charitable foundation under the Income Tax Act (Canada). The purpose of the Foundation is to advance the preservation and protection of the natural environment with charitable resources.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Revenue and expenditures are recorded on the accrual basis whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for NFPO's requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

Donations not designated for a specific purpose are recognized as revenue when they are received. Donations which are designated for specific programs are deferred and recognized as revenue over the period of the program as costs are incurred.

GRANTS

Grants are subject to specific terms and conditions regarding the expenditure of the funds. The Foundation's records are subject to audit by the funders to identify instances, if any, in which amounts charged to the grants have not complied with the agreed terms and conditions, and which would therefore be refundable. Adjustments, if any, would be recorded in the year in which the funder requests the adjustment.

VOLUNTEER SERVICES

The Foundation receives the services of many volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements.

4. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, loan receivable - related party, owing to Chapters and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the Foundation is not exposed to significant interest rate or currency risks arising from these financial instruments.

CREDIT RISK

The Foundation is exposed to credit risk through a related party loan receivable from the Sierra Club Canada. The Foundation maintains ongoing communications to manage this risk.

5. LOAN RECEIVABLE - RELATED PARTY

	<u>2012</u>	<u>2011</u>
Loan receivable from the Sierra Club Canada, initially bearing interest at 6% per annum, with monthly payments of \$3,000, maturing December 31, 2010. Rewritten in August 2010 to bear interest of 3% per annum, with monthly repayments of \$500, maturing January 31, 2015.	\$ -	\$ 13,434
Loan receivable from the Sierra Youth Coalition, bearing interest at 1% per annum, maturing September 7, 2013.	<u>5,075</u>	-
	5,075	13,434
Less current portion	<u>5,075</u>	<u>6,000</u>
	<u>\$ -</u>	<u>\$ 7,434</u>

During the year, the loan to Sierra Club Canada was paid off and \$4,925 in funds collected by the Foundation on behalf of the Sierra Youth Coalition were applied against their loan receivable.

SIERRA CLUB OF CANADA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2012

6. RELATED PARTY TRANSACTIONS

As a charitable organization, the Foundation manages the charitable projects delivered by the Sierra Club Canada and its Chapters and Sierra Youth Coalition (which are divisions of Sierra Club Canada), therefore the organizations are related.

During the year, \$200,332 (2011 - \$643,429) reported as program expenditures was paid to the Sierra Club Canada, and its Chapters, to execute charitable programs on behalf of the Foundation.

Some of the donations made to the Foundation are collected by the Sierra Club Canada on behalf of the Foundation. As well, the Sierra Club Canada provides administrative and credit card processing services to the Foundation on a cost recovery basis. As at December 31, 2012, the Club owed the Foundation \$13,350 and the Foundation owed a Chapter \$1,126.

During the year, the Foundation advanced \$10,000 in funds to the Sierra Youth Coalition. Grants collected by the Foundation on behalf of the Sierra Youth Coalition in the amount of \$4,925 were then applied against the advanced funds. The remaining \$5,075 is due September 7, 2013.

In 2011, the Foundation assumed the lease, effective January 1, 2011 and expiring February 28, 2014, for the premises occupied by itself, the Club's National Office and the Sierra Youth Coalition from the Sierra Club Canada. Future minimum lease payments under the terms of the agreement are \$43,799, plus applicable taxes, per annum. Also in 2011, the Foundation signed agreements to lease back to the Sierra Club Canada two portions of the premises. In January 2012, the Club executed the option to go month-to-month for the remaining term of the assumed lease, at rates of \$24,600 and \$8,280 per annum.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. MANAGEMENT AGREEMENT

Effective April 1, 2012, the management and fundraising contracts between the Foundation and the Club's national office were discontinued. The management and fundraising contracts were replaced with a new agreement in which the position of Administrator was eliminated. Under the terms of the new agreement, the Foundation agreed to share in the cost of salaries and benefits of four employees of the Club's National office.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year financial statement presentation.